



A Double-Dip Recession Remains Unlikely – A Mid-Year Update!

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A Double Dip Recession
Remains Unlikely



What's Ahead in 2010
Mid-Year Update

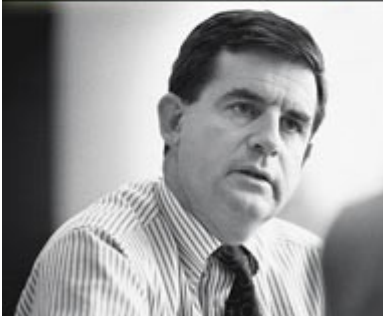
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At the beginning of 2010, we expected to see a modest cyclical recovery that was countered by the structural problems facing most of the developed world. For the first four months of the year, the cyclical recovery did dominate, but over the past two months, structural problems (especially those in Europe) began to win out, and risk assets have been struggling.

While we have long expected that the US and global economic recovery would be subpar, fears of a double-dip recession have intensified in recent months. In our view, it would be unlikely for the economy to move back into recession. As has been the case since the recovery began in the middle of last year, consumer spending and employment trends remain key to keeping it on track. The corporate sector has remained resilient and business spending levels have been increasing, but this part of the economy by itself will not be able to drive economic growth. Income levels have been rising, and while consumer spending has been struggling, it has remained relatively firm. On the employment front, the pace of improvement has been painfully slow, but the monthly jobs picture has turned positive. Unemployment remains high, but corporate spending trends suggest that businesses are increasingly becoming more expansion-oriented, which hopefully will translate into accelerated hiring.

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Overall, we expect to see slightly slower economic growth in the United States over the next several quarters as financial and monetary stimulus is gradually removed. Outside the United States, the risks of a renewed recession are higher, especially in Europe. Domestically, however, we would remind investors that true double-dip recessions are quite rare, and unless there is a major shock to the economy, we believe the recovery will continue.



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